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PHILIP MORRIS INCORPORATED
INTER-OFFICE CORRESPONDENCE

100 Park Avenue, New York, N.Y. 10017

To: Mr. James C. Bowling

Date: August 31, 1970

Lauren S. Williams

Subject: American Cancer Society, American Heart Association, and the
National Tuberculosis and Respiratory Disease Association

The above three national voluntary health organizations are all established charitable institutions which have accumulated considerable public goodwill and trust. Very little is known about their activities other than what they themselves state publicly and this report is meant to delve a little deeper. In an attempt to better understand their actions, this report will outline their organizational structure, their sources of support and the areas in which they invest their funds.

It is extremely difficult to analyze each agency's activities over the years or to compare one to another because of accounting changes and arbitrary allocations in the accounting classifications for each. Also, a major portion of total contributed funds are retained at local levels and detailed reports of each chapter and/or division are not readily available. In spite of this, a few salient facts become quite evident for these agencies on a consolidated and individual basis.

Majority of Contributed Funds Are Not Spent On Research

For the year 1969, these three agencies spent a combined total of \$140,354,000 of contributed moneys solicited primarily from the public with only \$36.6 million or 26% of total expenditures going into "research." Keeping in mind that

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the eradication of the respective diseases through "research" is an intrinsic part of each agency's fund campaign, it is interesting to note that on a combined basis the total expenditures for "fund raising" and "administration" in 1969 (\$38.4 million) was larger than the total they spent on "research" (\$36.6 million).

	Total Expenditures (millions)		% of Exp. For Research		% of Exp. For Adm. & Fund Raising
	1969	1965	1969	1965	1969
Am. Cancer Soc.	\$ 61.6	\$ 43.0	33.0%	36.0%	* 20.0%
Am. Heart Assn.	40.7	29.6	30.0%	35.7%	* 28.7%
N.T.R.D.A.	38.0	31.1	4.0%	4.1%	37.9%
Combined Totals	\$140.3	\$103.7			

Source: National Information Bureau

* believed to be understated because of accounting procedures used in allocating some fund raising costs to "public education" account. Per D. Paul Reed, Executive Director, National Information Bureau.

The determination of what costs are fund raising and what are allocated to other areas is arbitrary and "it may not be possible, even with the most meticulous accounting, to completely isolate and precisely report all of an agency's expenditures for any single function." (From the: Standards of Accounting and Financial Reporting For Voluntary Health And Welfare Organizations). Therefore, it is quite likely that even more dollars are spent for fund raising activities than are reported.

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The N.T.R.D.A. is the most flagrant example of the channeling of public contributions into the non-productive areas of fund raising and administration. For every dollar contributed to the N.T.R.D.A., 24¢ goes to fund raising and 14¢ for administration -- a total of 38¢. Only 4¢ goes into research projects.

An examination of many of the A.C.S. divisional annual reports indicates the accumulation of excess unspent funds with the expenditures for fund raising and management administration the largest single item on their budgets.

Administrator Salaries Have Increased

Salary structures are extremely hard to obtain and only a range is given to the Better Business Bureau. However, the following figures are believed accurate for the top administrators of each agency and are presented below with an indication of the size of his staff.

<u>Agency</u>	<u>Salary of Top Admin.</u>		<u>Headquarters Staff</u>	
	1969	1967	1969	1967
Am. Cancer Soc.	\$55,000	\$45,000	297	262
Am. Heart Assn.	\$45,000	\$35,000	231	202
N.T.R.D.A.	\$38,500	\$30,000	120	133

In most cases the headquarters staff only co-ordinates the local chapters efforts. The N.T.R.D.A. in fact took three pages of its 1968 Annual Report to explain exactly what their headquarters staff does do. They seem to need to explain their reason for being.

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Research Programs Not Detailed

Research expenditures are not broken down into detailed areas by any of the agencies.

The A.C.S. indicates it makes three types of grants in support of research but does not indicate the amounts spent on each.

1. Research Project Grants, to finance individual research projects.
2. Institutional Research Grants to universities, institutes and hospitals for support of pilot studies and of young investigators in cancer research.
3. Research Personnel Grants to scientists and students specializing or planning to specialize in cancer research.

During fiscal 1969 the A.C.S. awarded 523 research grants and fellowships for a total of \$21,860,877 of which \$1,121,533 was spent on committee and operating expenses in evaluating and processing research applications. Recently \$750,000 was authorized for research in the field of cigarette smoking. Of the total research expenditure, about \$19,535,000 is spent by the national headquarters and \$2,325,000 by the local A.C.S. chapters.

The A.C.S. has made several public statements lamenting the need for more dollars for cancer research. Lane Adams, executive vice president of the Society, stated in the 1969 Annual Report "there is something wrong about our national priorities when 20 times as much is spent on space as on cancer research." The same report indicates the Society

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at the end of 1969 had \$15 million in approved but unfunded A.C.S. research grants."

An examination of the financial statements put forth in this Annual Report indicates that for 1969 the A.C.S. had excess revenues over expenditures of \$3,604,401. That is to say, almost 10% of the total direct public contributions (\$40.8 million) in 1969 went unspent by the A.C.S. when at the same time they had \$15 million in solicited research grants which they said they could not fill.

The American Heart Association allocated \$13.5 million to research in 1969. These funds went to some 1400 scientists including 253 Grant-In-Aid research projects.

The A.H.A. research budget is allocated - 43% (\$5,875,000) by the national headquarters and 57% (\$7,776,000) by local chapters. The National Research Committee controls 57% of the research dollars and places "emphasis on the role of the more mature scientist in developing new knowledge." The local affiliates "concentrating on younger scientists of promise, have contributed about 1/4 of their income to cardiovascular research."

The A.H.A. during 1969 also became involved with the "looming national health crisis" as they described the cutbacks in the federal health budgets. With this statement in mind the

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A.H.A. had revenues in excess of expenditures for 1969 of \$4,078,989. This means 14.3% of every dollar contributed by the public (exclusive of bequests) in 1969 went unspent by the A.H.A. Looked at another way, had the A.H.A. spent this \$4 million excess funds in research, they could have increased their total research budget by 33%.

The N.T.R.D.A. follows the same pattern. For the fiscal year 1968 (the latest figures available) the N.T.R.D.A. had excess funds of \$2,131,000 or approximately 7% of their Christmas Seal Campaign contributions. About \$1.2 million of these total unspent funds were put into fixed assets. The \$2,131,000 represents about 1 1/3 times the amount they spent for all research in 1968.

Accumulation of Unspent Revenues

It is obvious that all three agencies have increased their asset base in 1969 through an excess of revenues versus expenditures. This is not an isolated year as the following table indicates:

<u>END OF YEAR EXCESS FUNDS (REVENUES OVER EXPENDITURES)</u>			
	ACS	AHA	NTRDA
1963	\$3,200,000	\$2,000,000	N/A
1964	5,700,000	3,300,000	N/A
1965	6,000,000	4,700,000	\$2,179,000
1966	10,100,000	4,700,000	2,660,000
1967	3,100,000	3,900,000	2,383,000
1968	2,100,000	800,000	2,131,000
1969	<u>3,200,000</u>	<u>4,100,000</u>	<u>N/A</u>
Total	\$33,400,000	\$23,500,000	\$9,353,000

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Each agency indicates that it follows "the principle of financing each year's activities, with few exceptions, from funds received from the previous year's support and revenue." This would account for some discrepancy between total revenues received during the fiscal year and total expenditures in that year. In fact, one would expect a deficit once in a while, not a consistent under-spending plan that each has followed. The result has been a consistent increase in their asset base, primarily in cash and investments. The A.C.S. alone had total assets as of August 31, 1969 of \$99.7 million of which \$22.4 million was in cash and \$68.2 million was in short and medium term investments. Their 1970 budget calls for total expenditures of only \$67.2 million which could be covered easily by their security position alone.

Looked at in a different perspective, in the six years since 1963, the A.C.S. has accumulated unspent funds equal to 1 1/2 times their 1969 total research expenditures. All this during a period when their various literatures have been stressing the need for additional funds for research and cancer detection.

The A.H.A. and N.T.R.D.A. are very similiar to the A.C.S. in this respect. The A.H.A. as of June 30, 1969 had total assets of \$67.2 million of which \$26.7 million was in cash and \$31.8 million was in securities.

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Their total spending in 1969 was only \$40.7 million or \$17.8 million less than they had in cash or cash equivalents at the end of the year. This represents an amount of excess cash equivalent to 1 1/3 times their total 1969 research expenditures.

The N.T.R.D.A. had total assets of \$65.9 million as of March 31, 1968 (the latest figures available). Of this, \$56.4 million was in cash and securities. With total expenditures of only \$36.5 million in 1968 (\$1.2 million was for fixed assets) they had excess cash of \$19.9 million or an amount equal to 11 times their 1968 research budget and almost two times the total amount they spent on community services -- their biggest expense item -- in 1968.

Anti-Smoking Activities

Each of these agencies have responded to the FCC "fairness doctrine" on the smoking and health controversy with a flood of anti-smoking commercials. The A.C.S. now has produced about 27 television anti-smoking commercials, the A.H.A. about six and the Public Health Service eight. The number for the N.T.R.D.A is not available.

In total, these anti-smoking commercials have received approximately the equivalent of \$53,305,000 of free commercial

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time since the summer of 1968 through February of 1970 (the only figures available). For the year 1969 they received \$35.5 million of free T.V. and radio time.

Attached are several charts which plot the monthly announcements for each agency (including the Public Health Service) from June 1968 through April 1970. The individual monthly patterns vary and show wide swings. However, during the last 12 months a more stable pattern has evolved as follows:

Anti-Smoking Announcements (Averages)

American Cancer Society	75 announcement/month
N.T.R.D.A.	55 "
American Health Assn.	37 "
Public Health	13 "
Total	<u>180</u>

Mr. William Tankersley, vice president of CBS, informed me that CBS's rule of thumb for running anti-smoking commercials versus cigarette ads is a 8:1 ratio (cigarette commercials to anti-smoking commercials) on a time basis, and a 5:1 ratio on a number basis. CBS now runs more anti-smoking messages than either NBC or ABC.

Scheduling of the commercials is supposedly on a rotation basis contingent upon availability of commercials. The A.C.S. the N.T.R.D.A., and particularly the A.H.A. all have received increased television exposure through their anti-smoking spots

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during their fund drives and campaign periods. It is obvious that they have been using the cigarette issue and the ensuing availability of free air time as a vehicle to aid their campaign fund drives. The A.H.A. in particular appears to have done this in February, 1968 when they received more than double the number of television spots that they received in any other month.

Anti-Smoking Announcements

	<u>Campaign month (Aug)</u>	<u>Previous Month</u>
American Cancer Society	April-May 1968 (75)	(55)
American Heart Assn.	February, 1968 (88)	(40)
N.T.R.D.A.	Dec.-Jan.1968-69 (75)	(37)

There is recent evidence that other organizations are getting on the free exposure bandwagon through the use of anti-smoking messages that are not related to research in tobacco and health or even quasi-research (the PTA being one of these).

Tax Status Of These Agencies

Each of these agencies now qualifies as tax-exempt organizations in a dual sense - they pay no federal income taxes and contributions to them are deductible by the donor as a "charitable contribution." Attached is a copy of a memorandum from Stuart Berelson of Conboy, Hewitt, O'Brien & Boardman outlining the exact tax

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regulations governing these agencies. The main features of these tax regulations which are of primary interest to us are:

1. These organizations cannot engage in activities which would characterize them as "action organizations."

That is they cannot:

a) have a substantial part of their activities in attempting to influence legislation by propaganda or otherwise;

b) participate or intervene directly or indirectly in any political campaign;

c) have their primary objective (as distinguished from its incidental objectives) obtained only by legislation or the defeat of legislation.

2. The regulations define various exempt purposes in which these organizations can engage. A "charitable purpose" includes an "educational purpose" and a "scientific purpose."

To qualify for an "educational purpose" the organization must not have as its principal function "the mere presentation of an unsupported opinion."

To qualify for "scientific purpose" the organization's scientific research must:

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a) have the results made available to the public on a non-discriminatory basis;

b) have the research published in publications, etc. or in any other form that is available to the interested public.

In the case of the A.C.S. and their "smoking dogs' study" there is reason to believe that they may not have truly fulfilled these requirements of the "scientific purpose."

A default on any of these regulations could result in a loss of a tax deduction for contributions (as was the case with the A.S.P.C.A. and the Sierra Club) or the loss of the agency's tax exemption (this is rare).

It is quite evident that many of the activities of these three "voluntary health organizations," if widely known by the contributing public, might require a dramatic change in their operations and possibly their areas of interest. Their large expenditures for fund raising and administration costs; their relatively small research expenditures; their consistent accumulation of excessive cash reserves; their high administrative salaries; their use of the smoking and health issue for fund raising purposes; and their possible violation of several IRS regulations; should all be more

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closely examined and brought to light. These agencies live and depend on thousands of volunteers who spend millions of man hours soliciting funds and disseminating information for these agencies. Most of these volunteers, I am sure, as well as the contributing public at large, are not aware of the exact nature of these agencies and their activities.

LSW:er
cc: Mr. Frank Saunders

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MEMORANDUM

July 21, 1970

To: Alexander Holtzman
From: Stuart E. Berelson

This memo is to set forth briefly certain of the pertinent criteria which are required (1) for a contribution to certain types of organizations to be deductible by the donor as a "charitable contribution" for Federal income tax purposes, and (2) in order for the organization receiving such contribution to be exempt from the payment of Federal income taxes.

(1) A "charitable contribution" includes, among other things, a contribution or gift for the use generally in the United States, its possessions and territories by a corporation, trust or foundation which is:

(a) created in the United States, its possessions or territories,

(b) organized and operated exclusively for religious, charitable, scientific, literary or educational purposes,

(c) no part of the net earnings of which inures to the benefit of any private shareholder or individual, and;

(d) no substantial part of the activities of which is carrying on propaganda or otherwise attempting to influence legislation and which does

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not participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of any candidate for public office.

The definitions of the foregoing are amplified under the applicable regulations, which cover the eligibility of exemption from Federal taxes by these organizations.

(2) An organization which claims exemption from Federal income taxes on the basis that it was organized for religious, charitable, scientific, testing for public safety, literary or educational purposes, must generally, among other things, qualify under the same restrictions previously set forth in (a) through (d) with respect to recipients of "charitable contributions".

An organization claiming tax exemption must file an appropriate form with the Internal Revenue Service (Form 1023 in the case of the aforementioned organizations) and once approval is given, may rely on such approval, provided there are no substantial changes in the organization's character, purpose or methods of operations (also assuming there is no subsequent change in the law). In determining exempt status, the charter powers of the organization are usually considered controlling. An organization will not

be deemed to be organized for exempt purposes if its articles expressly empowers it to devote more than an insubstantial part of its activities in attempting to influence legislation by propaganda or otherwise (including the publishing or distributing of statements) or directly or indirectly participating in political campaigns. In addition, it will not be considered exempt if it engages in activities which characterize it as an "action" organization. An organization will be considered an "action" organization if:

(a) a substantial part of its activities is attempting to influence legislation by propaganda or otherwise. For this purpose, it will be regarded as attempting to influence legislation (Federal, state or local) if the organization contacts or urges the public to contact members of the legislative body for the purpose of proposing, supporting or opposing legislation.

(b) it participates or intervenes directly or indirectly in any political campaign on behalf of or in opposition to any candidate for public office.

(c) its main or primary objective (as distinguished from its incidental or secondary

objectives) may be obtained only by legislation or the defeat of proposed legislation and it advocates, or campaigns for such primary objective as distinguished from engaging in comprehensive analysis study or research and making the results thereof available to the public.

The regulations issued by the Internal Revenue Service provide definitions of the various exempt purposes. A "charitable purpose" includes the advancement of education or science.

An "education purpose" includes the instruction of the public on subjects useful to and beneficial to the community. An organization may be educational in purpose even though it advances a particular view so long as it presents a sufficient full and fair exposition of the pertinent facts to permit an individual or the public to form an independent opinion or conclusion. On the other hand, an organization is not educational in purpose if its principal function is the mere presentation of an unsupported opinion.

An organization for a "scientific purpose" is one that is organized and operated in the public interest. Scientific research will qualify as being in the public

interest if;

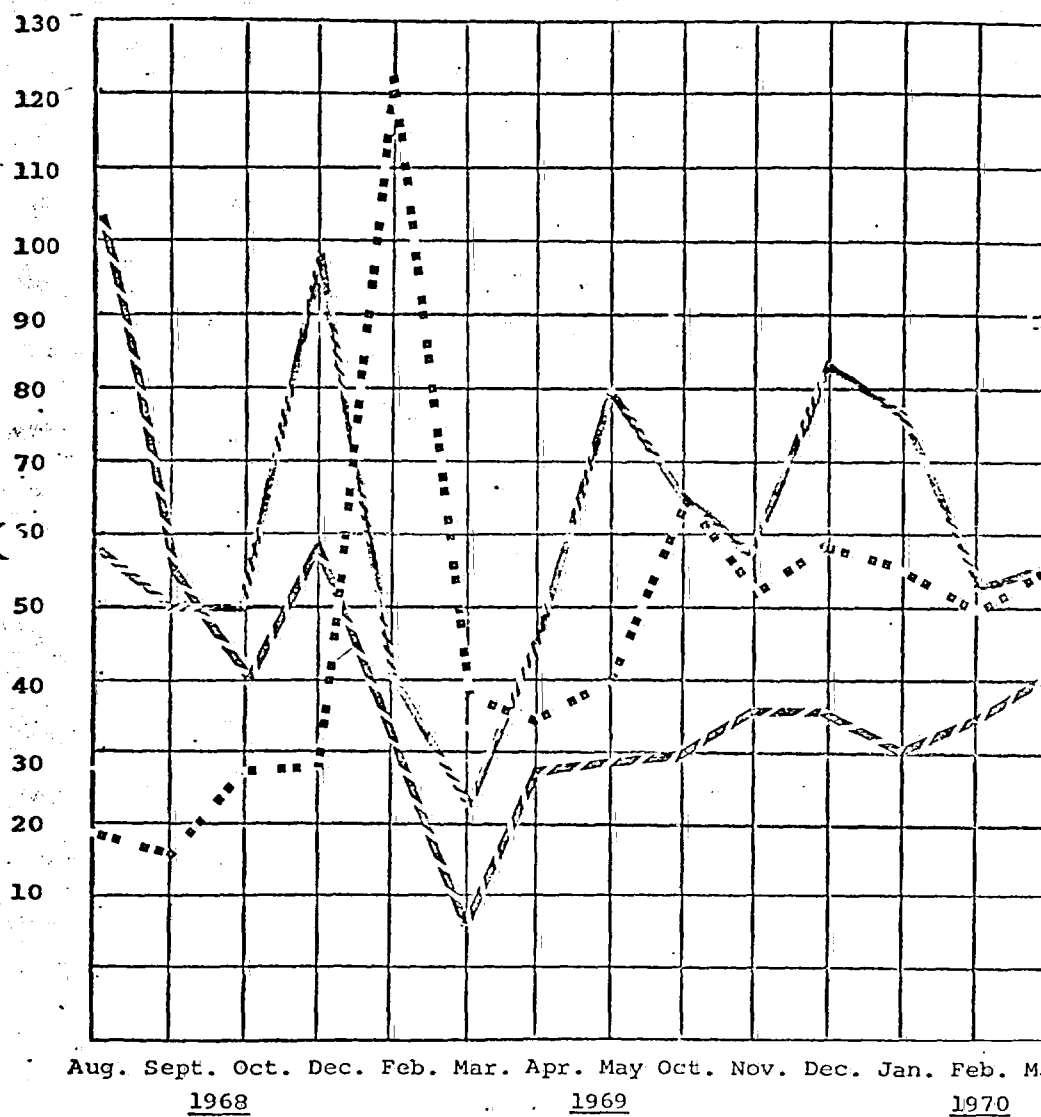
(a) the results (including patents, copyrights or process of formula resulting from such research) are made available to the public on a non-discriminatory basis, or

(b) if the research is directed toward benefiting the public. Research is deemed to benefit the public if it is carried on for the purposes of obtaining scientific information which is published in publications, etc. or in any other form that is available to the interested public.

Proper scientific research also includes that which is carried on for the purpose of discovering a cure for a disease.

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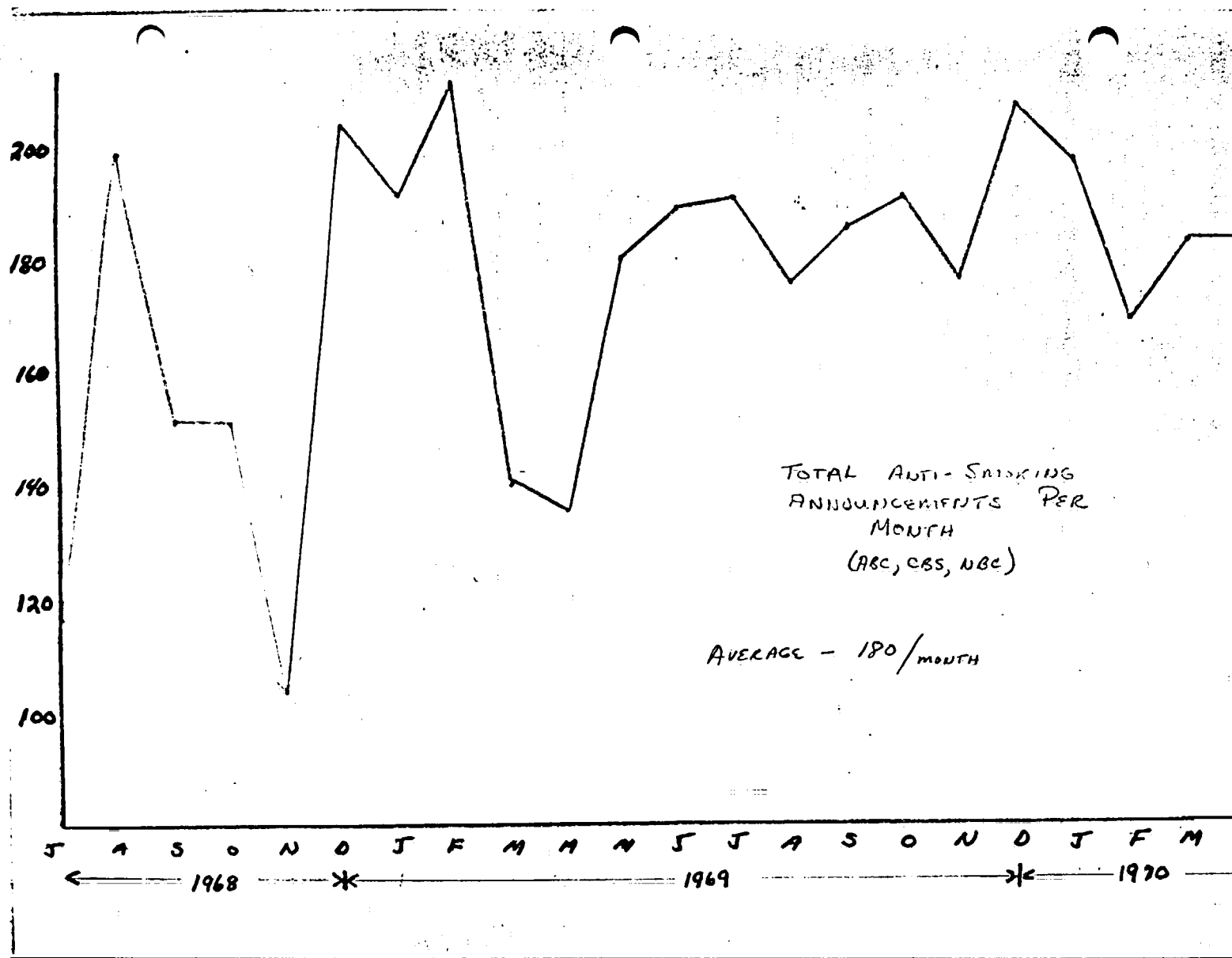
NUMBER OF ANTI-SMOKING SPOTS
(total)



ABC 
CBS 
NBC 

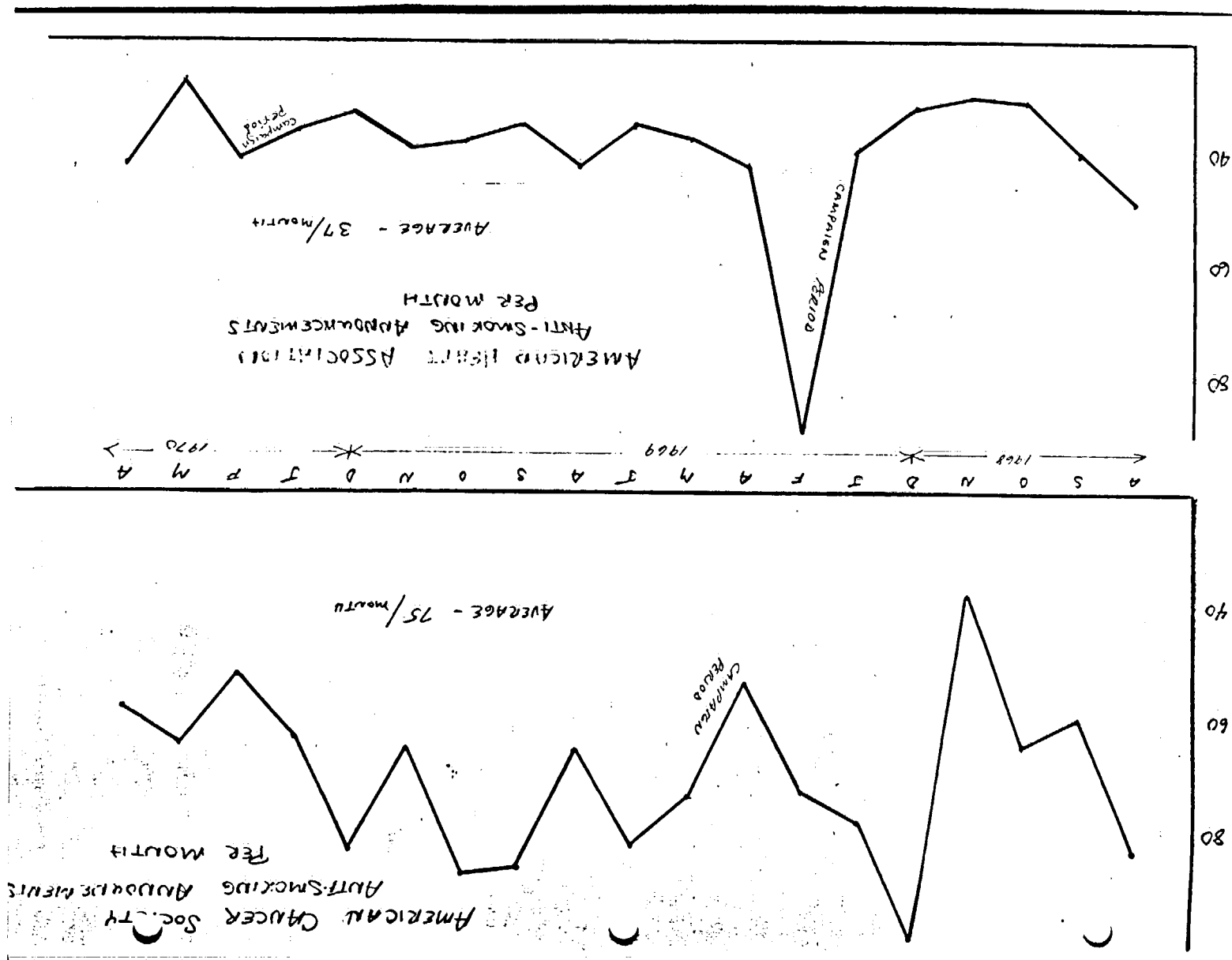
Source: private reports

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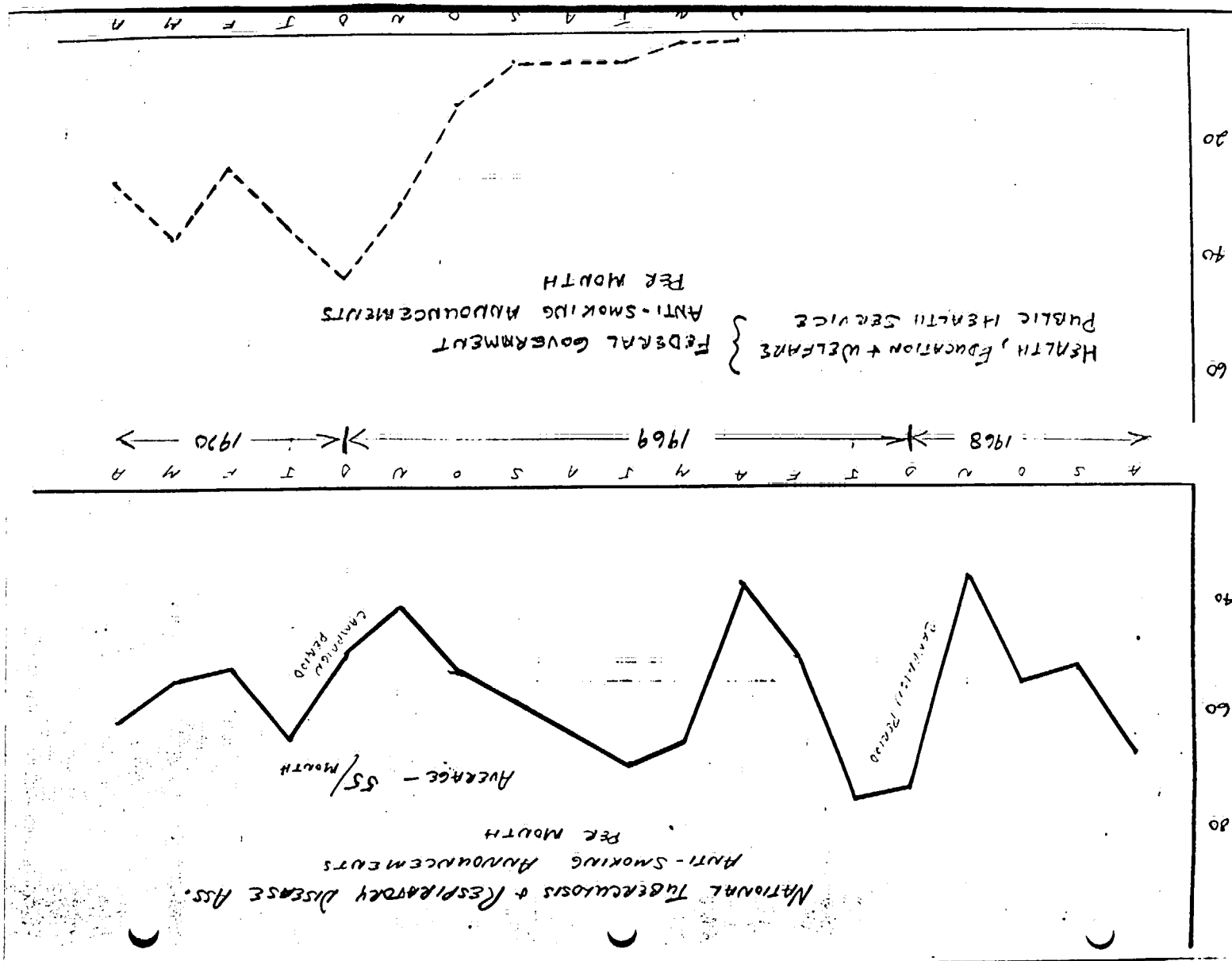


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NO. 01300 GOLDENITH BROS., N. Y. 10028 • (212) 247-7500

AMERICAN CANCER SOCIETY, INC.

219 East 42nd Street
New York, N.Y. 10017

History & Structure

The American Cancer Society was organized primarily by physicians in 1913. The Society was incorporated as a non-profit organization in New York State in 1922 as the American Society For The Control Of Cancer and adopted its present name in 1944.

The Society is now composed of a National Society, with 58 chartered Divisions and nearly 3,100 Units throughout the United States.

For the National Society, a 182 member "House of Delegates" provides a basic representation for the 58 divisions. It elects and is governed by a 107 member board of directors.

A full-time total staff of 1900 administer the A.C.S. National Headquarters (300 people), the divisions and local units.

Purpose of A.C.S.

The American Cancer Society describes its purpose as follows:

"The American Cancer Society, Inc. is a voluntary organization ... to conquer cancer. It is a national organization fighting cancer through programs of research, education, and service."

Fund Raising

The A.C.S.'s primary source of funds is public contributions. It launches a "Cancer Crusade" in the Spring, reaching a

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climax in April, which is designated "Cancer Control Month" by the President of the United States. Contributions are tax deductible by the donor.

Combined Sources of Income (000's)

<u>Direct Support</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Contributions	\$38,590	\$41,071	\$38,392	\$40,827
Special Events	N/A	N/A	828	1,047
Endowment Bequests	N/A	N/A	2	903
Other Bequests	11,674	9,996	11,809	13,504
<u>Indirect Support</u>				
Federal Gov. & Co. Drives	N/A	N/A	4,191	4,732
<u>Total Public Support</u>	<u>\$50,264</u>	<u>\$51,067</u>	<u>\$55,222</u>	<u>\$61,013</u>
Grants from other Agencies	N/A	N/A	\$ 102	\$ 50
Investment Income	\$ 2,467	\$ 3,130	3,412	3,941
Misc. Income	207	173	257	222
Total Income	<u>\$52,938</u>	<u>\$54,370</u>	<u>\$58,993</u>	<u>\$65,226</u>

Sources of Income (as %)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Contributions	73%	75%	65%	63%
Bequests	22%	18%	20%	21%
Investment Income	4%	6%	6%	6%
All others	1%	1%	9%	9%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The A.C.S. generalizes its use of funds as follows: "Except for gifts restricted by donors for specific purposes, all contributions received in the annual Cancer Crusade are divided so that 60% is retained by Divisions for their programs of public and professional education, research, service to the cancer patient and for supporting services of fund raising and administration;

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25% is for the Society's nationally administered research program; 3% is for a national program of medical grants and fellowships; 12% is for the National Office programs including technical and advisory help to Divisions in program planning and supporting service activities."

The theoretical breakdown of a dollar's contribution would be as follows:

Contributed	\$1.00
Retained at Division	.60
To National Research	.25
Nat'l Adm. & Fund Raising	.12
Nat'l Med. Grants	<u>.03</u>
Total Spending	\$1.00

An example of how one large Division spent its 60% share of the contributions is seen below for the New York City Division of the A.C.S. for 1969.

Total Funds Received as Support	\$3,281,782	--
Total Funds Remaining w/Division	\$2,113,734	100%
<u>Expenditures</u>		
Research	5,000	--
Public Education	252,086	12
Professional Education	381,930	18
Patient Services	375,218	18
Community Services	45,304	2
Total Program Services	<u>\$1,059,538</u>	<u>50%</u>
Fund Raising	417,883	21%*
Management & Gen'l.	185,195	9
Total Supporting Services	<u>\$603,078</u>	<u>30%</u>
Total Spending	<u>\$1,662,616</u>	<u>80%</u>
Excess of Revenues over Expenditures	<u>\$415,118</u>	<u>20%</u>

* Fund raising costs as a percent of total funds raised including that portion given to the National Headquarters equals 13% - a more realistic figure.

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The retention of 20% of contributed funds seems exorbitantly high by any standards. Unfortunately, this is not entirely an isolated case as the combined National Society retained \$3,604,000 in 1969 in unspent funds.

Since a major expense of the A.C.S. is the cost of fund raising, a closer look at the main areas of public support is warranted. The A.C.S. literature in recent years has stressed that "a legacy or bequest in your will is a lasting affirmative gift to humanity." A detailed look at their sources of funds indicates they have been successful in this endeavor. Legacies of all types has become a major source of funds for the A.C.S. representing 23% of their direct public support for 1969. These funds come in during the entire year and are available to be spent on a continuing basis. On the other hand, the majority of ordinary public contributions are received during the Cancer Crusade period in the Spring.

The A. C. S. Public Support Program for the years 1966 and 1969 can be further broken down as follows:

Contributions from:	<u>1966</u>	<u>1969</u>	<u>change 1966 vs. 1969</u>
Individuals	\$24,073,895	\$26,366,844	\$ 2,292,949
Corporations	2,742,040	3,741,766	999,726
Indep. Business	1,584,034	2,499,917	915,883
Govt Employees	2,012,427	2,063,501	51,074
Foundations	796,854	974,446	177,592
Legacies	11,673,973	14,407,712	2,733,740
Clubs, Organizations, memorials, etc.	7,346,829	9,912,382	3,612,133
Special Events		1,046,580	
Total Public Support	\$50,264,475	\$61,013,148	\$10,748,673

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The major areas of increased contributions have come from legacies and special events and clubs, memorials, etc. Only 21% of the 22% increase in contributions came from the typical "knock-on-doors" type of individual contributions, the area where the major portion of fund raising costs are usually incurred. Since 1966, the A.C.S.'s fund raising costs have increased by 33%, much faster than the total increase in public support.

Expenditures

The broad categories of spending are presented below for the total A.C.S. organization during the years 1966 - 1969.

<u>Combined Expenditures (000's)</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Research	\$12,714	\$18,739	\$20,029	\$21,672
Public Education	8,299	9,257	9,384	10,652
Professional Education	4,455	4,746	5,864	6,030
Patient Service	5,547	5,723	6,708	7,315
Community Services	2,414	2,721	3,203	3,600
Total Program Services	<u>\$33,429</u>	<u>\$41,187</u>	<u>\$45,190</u>	<u>\$49,269</u>
Management & General	\$ 4,133	\$ 4,512	\$ 5,110	\$ 5,454
Fund Raising	5,199	5,633	6,573	6,899
Total Supporting Services	<u>\$ 9,332</u>	<u>\$10,145</u>	<u>\$11,683</u>	<u>\$12,353</u>
Total Expenditures	<u>\$42,761</u>	<u>\$51,332</u>	<u>\$56,873</u>	<u>\$61,622</u>
Excess Revenues over Expenditures	\$10,178	\$ 3,038	\$ 2,121	\$ 3,604

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<u>Expenditures as %</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Research	30%	37%	35%	35%
Public Education	20%	18%	17%	17%
Professional Education	10%	9%	9%	10%
Patient Service	13%	11%	12%	12%
Community Services	6%	5%	6%	6%
Total Program Services	<u>79%</u>	<u>80%</u>	<u>79%</u>	<u>80%</u>
Management & General	9%	9%	9%	9%
Fund Raising	12%	11%	12%	11%
Total Supporting Services	<u>21%</u>	<u>20%</u>	<u>21%</u>	<u>20%</u>
Total Expenditures	100%	100%	100%	100%

Examining the 1969 expenditures in more detail on a functional basis, the following is seen (figures only available for 1969):

A.C.S. Expenditures 1969

Awards and Grants (Research Grants \$20,170,560)	\$23,651,735
Salaries, Benefits, Payroll taxes	\$20,307,309
General Office Expenses (including \$2,260,995 rent) (but excluding salaries)	\$ 6,090,134
Special Assistance to Patients	\$ 3,040,721
Travel & Meetings	\$ 3,453,951
Printing & Visual Aids	\$ 3,811,286
All Others	<u>\$ 1,266,800</u>
TOTAL	\$61,621,936

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From this type of analysis it is easily seen that for 1969 total payroll costs were in excess of total research grants and awards, and that travel and meeting expenses were larger than the specific assistance given to patients.

With a total full-time staff of 1,900 for the A.C.S., its Divisions and local units, the average cost per employee is about \$10,600 for 1969 which approximates the average employee cost in the United States for Philip Morris.

Research

To put the A.C.S. research expenditures into a better frame of reference, the following background information is presented.

U.S. Public Health Service

<u>Cause of Death</u>	<u>1968 Death Rate per 100,000</u>	<u>Rank</u>
Cardiovascular Diseases	511.0	1
Cancer	159.6	2
Accidents	55.8	3
Influenza & Pneumonia	34.9	4
Mortality in Early Infancy	21.2	5
Diabetes Mellitus	19.2	6
<u>Disease or Handicap</u>	<u>Guess Estimates Total Cases</u>	<u>Rank</u>
Cardiovascular Diseases	14,600,000	1
Mental Illness	9,200,000	2
Alcoholism	6,500,000	3
Retardation	6,000,000	4
Rheumatoid Arthritis	5,000,000	5
Urinary Tract Infection	3,300,000	6
Diabetes	2,900,000	7
Veneral Disease	2,000,000	8
Cancer	900,000	9
Cerebral Palsy	700,000	10

The death rate from Heart Disease is by far the largest of all causes of death in this country and it is the leading prevalent disease. The death rate from cancer is only 1/3 that of heart disease and the prevalence of cancer is only 1/16 that of heart disease. Yet the promotional efforts of the A.C.S.

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have been such that they have been able to attract total revenues in 1969 of \$65.2 million or almost 50% greater than the \$44.8 million received by the American Heart Association.

In terms of research expenditures, the A.C.S. allocated \$21.6 million in 1969 to research while the Government through the National Cancer Institute spent \$180.7 million. In fact, public tax funds supplied for "Research" to the National Cancer Institute have totaled about \$1,822,633,000 during the past 19 years (1951-70) while the A.C.S. appropriations for research during the past 21 years (1949-70) totaled about \$206,700,000 or 10.2% of the combined total spent on cancer research.

Furthermore, the A.C.S. states in their 1969 Annual Report that "general inflation has diminished the amount of research you get per dollar...." "Just to maintain existing research levels would require up to 10% more money each year, and to pursue the new opportunities and leads that develop, demands at least a 20% expansion annually." With this in mind, the research dollars spent by the A.C.S. increased from \$13.4 million in 1963 to \$21.7 million in 1969 or at a 8.4% average annual compounded growth rate. Therefore, the A.C.S., by their own statement, is not providing as much cancer research effectiveness as they did in 1963.

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This would indicate that the A.C.S.'s budgeting policy of straight income allocation by a set percentage system does not allow sufficient funds to offset the inflationary pressure on the research dollar. Today, the A.C.S. is not receiving the same level of research per dollar spent. This seems more a function of their internal policy rather than insufficient contributions. If they maintain the same budgetary procedures - approximately 35% of spending for research - they will require a total expenditure program of \$170 million in 1980 just to maintain 1969's research effectiveness level.

The A.C.S. does not detail their research expenditures by any meaningful breakdown. (Attached is a listing by schools for A.C.S. Grants and fellowships).

The following is the best "guesstimate" available from public sources of where the A.C.S. is putting its research money:

Tobacco Research	\$ 750,000
Leukemia	2,000,000
All Other	<u>18,950,000</u>
Total	\$21,700,000

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Unethical Promotion

The National Information Bureau has indicated that in 1963 they found the A.C.S.'s promotion "so exaggerated and misleading" that the A.C.S. failed to meet the N.I.B. Standard #5 calling for ethical promotions.

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In 1970, one of the A.C.S. chapters gave the impression that the A.C.S. was forced in 1969 to turn down \$7,000,000 "in priority grants" for research "due to lack of funds." At year end in 1969, the A.C.S. had unspent revenues of \$3,600,000.

In a prior year, a large local chapter placed at the top of the page on "Patient Care" in its annual report the claim - "No one is ever turned away..." When families in need of help call on the Society as a result of this type of claim, they are likely to discover that frequently the A.C.S. can do little for them of an important nature - except to tell them to seek help from other sources in the community.

Staff

A previously noted, the A.C.S. has a full-time staff of 1,900 with a controlling board of 107, half of which are physicians and dentists.

The board met three times in 1969 with an average attendance of 86. The executive committee consists of 25 board members and met twice in 1969 with an average attendance of 18.

Attached is a list of the national and staff officers and a brief biography of each of the more important officers.

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AMERICAN CANCER SOCIETY, INC.

NATIONAL OFFICERS

Mrs. Albert D. Lasker
Honorary Chairman of the Board of Directors

William B. Lewis
Chairman of the Board of Directors

Jonathan E. Rhoads, M.D.
President

Charles R. Ebersol
Vice Chairman of the Board of Directors

H. Marvin Pollard, M.D.
Vice President and President-Elect

A. H. Letton, M.D.
Chairman of the Medical and Scientific Committee

Mrs. Wilfred D. Keith
Vice President

W. Armin Willig
Chairman of the Executive Committee

Thomas P. Ulmer
Treasurer

Joseph S. Silber
Secretary

STAFF OFFICERS

Lane W. Adams
Executive Vice President

Richard P. McGrail
Deputy Executive Vice President

Richard P. Mason, M.D.
Senior Vice President for Research

Arthur I. Holleb, M.D.
Senior Vice President for Medical Affairs

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STAFF OFFICERS (cont.)

Sidney L. Arje, M.D.
Vice President for Clinical Investigation

Charles H. Gingles, M.D.
Vice President for Medical Administration

Roald N. Grant, M.D.
Vice President for Professional Education

William M. Markel, M.D.
Vice President for Service to the Cancer Patient

George T. Britton, M.D.
Vice President for Area Medical Affairs

Raymond H. Bunshaw, M.D.
Vice President for Area Medical Affairs

H. J. Sannan, M.D.
Vice President for Area Medical Affairs

E. Cuyler Hammond, Sc.D.
Vice President for Epidemiology and Statistics

Charles P. Taylor
Vice President for Field Services

Irving Rimer
Vice President for Public Information

John L. Ewing
Vice President for Crusade

Walter G. James
Vice President for Public Information

George Krogenas
Vice President for Administration

Louis Davis
Coordinator of Operations

Charles F. List
Comptroller

Norman R. Hollis
Assistant Secretary

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AMERICAN CANCER SOCIETYWilliam B. Lewis - Chairman of the Board of Directors

Born: **REDACTED**
 University of Missouri 1922-24

Advertising copy writer, various agencies 1924-35; director of programs 1936-37, vice president in charge of programs 1937-41 Columbia Broadcasting System; Coordinator of government radio, Office of Facts & Figures, Washington, D.C. 1/41-6/42; Chief Domestic Radio Bureau, Office of War Information 6/42-1/43; Asst. Dir. Domestic Branch, Office of War Information 1/43-6/43. Consultant: CBS 8/43-8/44; vice president Kenyon & Eckhardt 1944-51, then president 1951-60 and board chairman 1960-67. Lives in NYC.

Jonathan E. Rhoads, M.D. - President

Born: **REDACTED**
 A.B. Haverford College 1928, D.Sc. 1962
 M.D. Johns Hopkins 1932
 D.Sc. University of Pennsylvania 1940, LL.D. 1960

surgeon - Hospital of University of Pennsylvania, Pennsylvania Veterans Hospital, Children's Hospital of Pennsylvania. Presently (since 1959) Director Harrison Department of Surgical Research, Univ. Pa. Director: Pennsalt Chemical Corp., Provident Life Insurance Co. Trustee: Bryn Mawr College, Bur. State Services V.A. Has held several positions with ACS including delegate, Director at large, regent, chairman of the board of regents. Holds positions with several medical associations including American Asso. of Cancer Research. Author (with J. M. Howard) of "Trends in Modern American Society" and also articles in medical journals and chapters in books. Lives in Philadelphia.

H. Marvin Pollard, M.D. - Vice President and President-Elect

Born: **REDACTED**
 M.D. University Michigan 1931, M.S. 1938

University of Michigan Hospital since 1931 - presently professor. Holds positions in various medical associations
 Lives in Ann Arbor, Mich.

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AMERICAN CANCER SOCIETYW. Armin Willig - Chairman of the Executive Committee

Born: **REDACTED**
B.A. Univ. Louisville 1934

report writer Dun & Bradstreet 1934-37
sales dept. Jefferson Island Salt Co. 1937-42
industrial relations director Girdler Corp. 1942-52
v.p. sales American Commercial Lines 1952-63
Director: Ohio Falls, Inc., Louisville; Harvest Towing Co.,
First State Bank, Lyon County.
Clubs: Louisville Country, Pendennis.
With ACS since 1962 - present of Ky division 1959, recipient of
Distinguished Service Medal ACS in 1957. Active in local civic
affairs. Lives in Louisville, Ky.

Lane W. Adams - Executive Vice President

Born: **REDACTED**
Univ. Utah 1931-33
Graduate School of Banking Rutgers U. 1938-40

mem. exec. committee Zions First National Bank, Salt Lake City 1949-59;
director ACS 1948-59, treasurer 1953-59, exec. v.p. 1959 to present.
Director: Carte Blanche Corp.; member Nat. Adv. Cancer Council 1957-58;
Nat. Adv. Allergy & Infectious Disease Council; State director
Selective Service for Mo.; board regents Graduate School Banking,
Rutgers.
Clubs: Alta (Salt Lake City), Apowamic (Rye, N.Y.); Metropolitan (NYC).
Lives in New York City. Office: 219 East 42nd Street.

Richard P. Mason, M.D. - Senior V.P. for Medical Affairs

Born: **REDACTED**
Kansas State College 1927-29
A.B. Washington U. (St. Louis 1932 MD '36

Intern Brooke General Hospital, Texas; commd. 1st lt., M.C., U.S.
Army 1937, advanced through grades to col. in 1950. Infectious
disease research Walter Reed Army Inst. Research 1947-51, dir.
1956-61, comdg. officer 406 Med. Gen. Lab. 1951-54* Retired 1961.
Consultant: Inst. Def. Analysis 1961-63, Phillip Inst. 1961-pres.
Associated with various medical associations including American
Association of Cancer Research. Specialist research respiratory
and intestinal disease, cancer. Lives in NYC. Business address
listed as 219 E. 42nd Street (Office of ACS). * Chief med. research
div. Office Surgeon General 1954-56.

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AMERICAN CANCER SOCIETYE. Cyler Hammond, Sc.D. - V.P. for Epidemiology & Statistics

Born: R
 B.S. Yale 1935 M.A. 1953
 Sc.D. Johns Hopkins 1938.

dir. statis. research sect. ACA 1946-66, present position since '66.
 clin prof. community medicine Mt. Sinai School of Medicine since
 1966. Prof. biometry, dir. grad. studies Yale 1953-58 also chmn.
 univ. exec. com. statistics. Lectr. preventive and environmental
 medicine Albert Einstein College of Medicine. Consultant dept.
 of Biology Brookhaven Nat. Laboratory. Member scientific advisory
 panel Research to Prevent Blindness Inc. Served as maj. USAAF,
 1942-46. Recipient Willaim R. Belknap award for excellence in
 biol. studies 1935. Fellow Am. Pub. Health Asso. Contributes
 articles to professional journals. Lives NYC. Bus. 219 E 42 St.
 (ACS Office).

Charles P. Taylor - Vice President for Field Services

Born: R
 Transylvania College 1939.

Special asst. to dir. NYA in Ky. 1939-41. with ACS since 1947.
 Board of Directors Transylvania College 1950-55. Served as capt.
 AUS 1941-46. Lives in Westport, Conn.

George Krogenas - Vice President for Administration

Born: R
 B.B.A. College City of New York 1939

Supr. gen. accounting dept. Borden's Farm Products 1934-42. With
 ACS since 1946. Mem. com. for devl. uniform accounting procedures
 for vol. health agys. National Health Council 1960 to present.
 Served to lt. col. AUS 1942-46. Lives in Huntington, N.Y. Bus.
 219 East 42nd St.

Arthur I. Holleb, M.D. - Sr. V. P. for Medical Affairs

Born: R
 A.B. Brown University 1941
 MD. NYU 1944

Queens General Hospital 1944-45; resident tumor surgery and pathology,
 Meadowbrook Hospital 1945-46, chief resident general surgery 1948-50,
 asst. director tumor service 1954-56; member staff Memorial Hospital
 1950 to present, asso. chief medical officer 1966-67, cons. breast
 service, surgical dept. 68 to present; asso. vis. surg. James Ewing
 Hospital 66-67; mem. staff M.D. Anderson Hospital & Tumor Inst.
 1967-68, mem. research staff 1967-68.
 Consultant breast cancer study 1968 to present. From instructor
 to clin. asso. prof. surgery, Cornell University Medical College
 1965-67. Asso. Clinician Sloan Kettering Inst. 1961-67. Asso. prof.
 surgery U. Texas. Member: Amer. Asso. Cancer Education. Amer.
 Asso. Cancer Research, AMA, Amer. Radium Soc., Lives N.Y.C.
 business add: 219 E 42nd St. (ACS office).

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NO. 01500 GOLDENITH BROS., N. Y. 10028 - (N.Y.) 887-7500

NATIONAL TUBERCULOSIS AND RESPIRATORY
DISEASE ASSOCIATION

1740 Broadway
New York, N.Y. 10019

History & Structure

The NTRDA was organized in 1904 as the National Association for the Study and Prevention of Tuberculosis. In 1918 it was incorporated in the State of Maine under the name National Tuberculosis Association. The present name was adopted in February 1968.

The NTRDA is the first national voluntary health agency organized to fight a specific disease in the U.S.

It now consists of 57 constituent associations in the 50 states, plus five urban areas and Puerto Rico and Guam. The National association has contracts with each constituent. The constituents in turn issue contracts to 1,358 affiliated local associations. Each local affiliate conducts its own fund raising activities (Christmas Seal campaign) and uses most of the money contributed for its own programs. The state and national associations are supported by the percentage of the campaign funds that the locals remit.

The National Association board of directors consists of 110 members - 57 representatives from the constituents and 50 directors at large and three officers not otherwise on the board.

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The medical arm of the NTRDA is the American Thoracic Society (ATS) consisting of about 5000 physicians and scientists.

A.T.S. members sit on the NTRDA Board Committees and have their own as well. A.T.S. is "especially concerned with the education of physicians in pulmonary disease." It has its own official journal on chest diseases, The American Review of Respiratory Disease.

The professional staff personnel of the various TB-RD associations belong to The National Respiratory Disease Conference (NRDC) consisting of about 1000 members. Its purpose is the "thoughtful planning and successful carrying out of its (NTRDA's) programs."

Each of these separate arms have their own staffs and resultant overhead.

Over the past four years, the NTRDA has indicated (each year) that it is studying its organizational structure and is developing plans to revise it. To quote John Gompertz, M.D. - President of the NTRDA, in his 1969 Annual Report:

"This organizational framework has its weaknesses. At times, a constituent or affiliate will act or fail to act from less than perfect motives. And, as this report will illustrate, "suggesting" takes longer than "commanding"."

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The board is expected to act upon a report later this year (1970) initiated by the Committee to Evaluate the NTRDA set up in 1966. It has spent a total of \$1.2 million since 1966 in evaluating its organizational structure.

Purpose

In summarizing its purpose the NTRDA recently stated:

"The primary purpose is to advance the scientific treatment, prevention and eventual eradication of tuberculosis and to advance the scientific treatment, prevention and control of other respiratory diseases. In support thereof, it is the policy to advance adequate school health programs, adequate official health departments and the public health through general health education."

While the NTRDA has broadened its purpose and changed its name recently, it reported in 1969 that "tuberculosis continues to be the major concern of its affiliates."

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As evidence of the National Association's intent to enlarge the scope of the NTRDA, the board of directors approved in February, 1966 the idea of a large scale pollution program and formation of a "commission for the Control of Community Air Pollution." In October, 1966 this organization officially became the National Air Conservation Commission (NACC). The NACC was set up to be the national spokesman for the NTRDA in the matters of air pollution and conservation.

Fund Raising

The principle fund raising activity of the NTRDA and its affiliates is its annual "Christmas Seal" campaign. The campaign is carried on by constituents and affiliated local associations, primarily through a mailing each year of to 40,000,000 people. Solicitation letters are prepared locally while the Christmas Seals and other supplies are provided by the national headquarters.

Of the total funds raised, 93% is retained locally and 7% is remitted to the national headquarters.

The costs of this type of fund drive is much higher than that of the A.C.S. or A.H.A. For every dollar contributed to the Christmas Seal campaign it costs almost \$.26 for fund raising expenses. The following table lists the sources of income for the NTRDA from 1965-1968.

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NTRDA - Combined National & Affiliates

<u>Support & Revenues</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Christmas Seal Campaign	\$28,784	\$29,722	\$30,777	\$31,796
Bequests, Gifts, Memorials			1,373	1,208
Grants, Dues, etc.	3,970	5,034	873	1,117
Investment Income			2,126	2,129
Service Fees			1,097	1,145
Total Income	\$32,754	\$34,756	\$36,247	\$37,395

<u>Income as %</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Christmas Seal Campaign	88%	86%	85%	85%
Bequests, Gifts, Memorials			4	3
Grants, Dues, etc.	12	14	2	3
Investment Income			6	6
Service Fees			3	3
Total Income	100%	100%	100%	100%

The Christmas Seal Campaign is obviously the main source of funds for the NTRDA, and it has been since 1907. This method of fund raising is expensive as we have seen and constitutes one of the major expenditures for the NTRDA.

As a percentage of total expenditures in 1968, fund raising costs were the second highest representing 24% of the total. With a mailing of about 40 million, the approximate return is \$.75 per mailing against a cost of about \$.21 per mailing.

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<u>NTRDA (Combined)</u>	<u>Fiscal Year Ending March 31</u>			
<u>Expenditures (000's)</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Research	\$ 1,277	\$ 1,425	\$ 1,640	\$ 1,626
Public Education	4,378	4,551	4,667	6,478 (a)
Professional Education	1,774	1,871	2,141	2,301
Patient Services	1,055	1,077	1,091	1,095
Community Services	8,853	9,632	10,079	10,398
Total Program Services	<u>\$17,340</u>	<u>\$19,557</u>	<u>\$19,618</u>	<u>\$21,900</u>
Fund Raising	7,596	7,659	8,095	8,496
Management & General	5,641	5,880	6,151	4,868 (a)
Total Supporting Services	<u>\$13,235</u>	<u>\$13,539</u>	<u>\$14,246</u>	<u>\$13,364</u>
Total Expenditures	<u>\$30,575</u>	<u>\$32,096</u>	<u>\$33,864</u>	<u>\$35,264</u>
Excess Income over Expend.	\$ 2,179	\$ 2,660	\$ 2,382	\$ 2,132 *

* \$1,194 of this amount was spent on property and equipment - not a normal operating expenditure.

(a) a reclassification in the 1968 accounting probably overstated the public information expenditure and understated the G&A expense in that year.

<u>Expenditures as %</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Research	4%	4%	5%	5%
Public Education	14	14	14	18
Professional Education	6	6	6	6
Patient Services	3	3	3	3
Community Services	29	30	30	30
Total Program Services	<u>56%</u>	<u>57%</u>	<u>58%</u>	<u>62%</u>
Fund Raising	25	24	25	24
Management & General	19	19	18	14
Total Supporting Services	<u>44%</u>	<u>43%</u>	<u>42%</u>	<u>38%</u>
Total Expenditures	100%	100%	100%	100%
Excess Income over Expend.	(7%)	(8%)	(7%)	(6%)

Contrasted to the A.C.S. and the A.H.A. , the NTRDA spends much less for research and professional education and much more on fund raising and management expense and community services.

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Expenditure Breakdown

	<u>NTRDA (1968)</u>	<u>ACS (1969)</u>	<u>AHA (1969)</u>
Research	5.0%	35.0%	34.0%
Public Education	18.0	17.0	12.0
Professional Education	6.0	10.0	12.8
Patient Services	3.0	12.0	--
Community Services	30.0	6.0	12.1
Program Services	<u>62.0%</u>	<u>80.0%</u>	<u>70.9%</u>
Fund Raising	24.0	11.0	15.5%
Management & General	14.0	9.0	13.6
Supporting Services	<u>38.0%</u>	<u>20.0%</u>	<u>29.1%</u>
Total Expenditures	100.0%	100.0%	100.0%

The major expenditure of the NTRDA - Community Services - includes the following activities under this classification: "Support and direction of programs for case detection, supervision, treatment, and rehabilitation; co-cooperation with other agencies on health planning and on strengthening of official health services."

Since 93% of all money is expended by local affiliates, it is extremely difficult to pin-point exactly on what projects within the community these funds were spent. It is also obvious that the National Office has very little control over the affiliates spending except through guidelines based on a percentage for each spending category.

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Research

Tuberculosis is declining rapidly as a cause of death in the United States. From a total of 34,000 deaths in 1950 from TB, the number has steadily declined to about 6,600 in 1967 despite

an overall increase in the population. TB now ranks 18th among the list of recorded causes of death.

The incidences of TB has also declined. In 1952 about 86,000 new cases were reported. In 1967 this declined to 48,400 or about 24.2 cases per 100,000 population.

A comparison with the diseases of cancer and of the heart, and the diseases of concern to the NTRDA reflect the following:

<u>Disease</u>	<u>Death Rate per 100,000</u>	<u>Guess Estimate Total Cases</u>
Heart	511.0	14,600,000
Cancer	159.6	900,000
Emphysema	12.2	NA
Tuberculosis	3.3	100,000

The NTRDA spent 5% of its total expenditures on Research in 1968 or \$1,626,169 (\$406,348 of this was spent by the National office).

The 1969 Annual Report lists 30 specific grants for Research to a variety of scientists throughout the country.

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Lobbying Activities

The NTRDA has been an active participant in a variety of legislative areas ranging from cigarette advertising, on a national basis, to local air pollution laws.

The National Air Conservation Commission of the NTRDA indicated in the 1967 Annual Report the following goals:

- To represent the public interest at conferences, forums, and legislative hearings,
- to urge nationwide action and stress the need for personal, corporate, and government involvement,
- to support effective legislation and enforcement.

Furthermore, Dr. Sterner, a member of the NTRDA board of directors, read a prepared statement before the Subcommittee on Air & Water Pollution of the U.S. Senate in 1967 setting forth the "NACC's endorsement to specific features of the air pollution control bill."

In regard to cigarette legislation, the NTRDA filed "a friend of court" brief in the case of the FCC "fairness-doctrine" dispute with the broadcasters.

In April 1969, Dr. John Gompertz, President of the NTRDA and

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Dr. Robert Browning, a member of the board of directors, testified before the House Committee on Interstate and Foreign Commerce concerning "cigarette labeling and advertising." At that time Dr. Gompertz stated:

"Early this year, the National Tuberculosis and Respiratory Disease Association supported the ban proposed by the Federal Communications Committee on cigarette advertising on the airwaves. It wishes now to record its support for legislation or for any other action necessary to achieve implementation of such a ban when the current legal prohibition on such action expires on July 1, 1969."

The NTRDA issued a similar statement encouraging legislation to ban cigarette promotion in 1965.

The major lobbying activities of the NTRDA has been toward air pollution legislation. The following quotes from various NTRDA Annual Reports indicates the degree of lobbying activity by the NACC part of the NTRDA:

1967 - "NTRDA prepared expert testimony to be submitted in Congressional hearings on the new Air Pollution Control Bill, the TB Task Force appropriations, recommendations and further control measures affecting cigarettes."

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1968 - "Other ways in which the NACC made itself felt was through the activities of its individual members, who met and talked with various groups across the country (including Committees of Congress)."

"All associations that had or could make the opportunity took part in the discussions and planning of legislation - national, state, and local - and in the determined advocacy of adequate laws before the legislative bodies considering them."

1969 - "And the New York State association made a full-scale entrance into air conservation programming:... This state association was to...play a significant part in writing the State's air pollution control legislation."

"Where does air conservation programming stand today? So far, according to reports from the associations themselves:

"86 have been actively working for the creation and passage of necessary legislation, either local or state; 43 have been successful so far."

Perhaps the best summary of the lobbying activities of the NTRDA is seen in the "Foreward" of their recent booklet entitled Air Pollution Primer:

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"For over sixty years the volunteers and staff of what is now the National Tuberculosis and Respiratory Disease Association have ... gone not only into schools and meeting halls to bring their message, but into the streets to find the sick, into hospitals and training institutions to support better medical care, and into the halls of government to induce the passage of needed laws."

With such extensive lobbying activities as part of its stated purpose, it is apparent that the NTRDA has consistently violated part of the I.R.S. tax law governing the tax deductibility of "charitable contributions." This law requires the organization have: "no substantial part of its activities which is carrying on propaganda or otherwise attempting to influence legislation."

Both the ASPCA and the Sierra Club received I.R.S. rulings removing the "tax deductible" status of their donations for their lobbying activities.

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Staff

The board of directors of the NTRDA consists of 110 members which met twice in fiscal 1969. The executive committee consisting of 13 members met once.

The following staff head the NTRDA:

John L. Gompertz, M.D. - President

Judge Ernest E. Mason, President-Elect

James E. Perkins, M.D., Managing Director

Robert J. Anderson, M.D., Medical Director (ATC)

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NATIONAL TUBERCULOSIS AND RESPIRATORY DISEASE ASSOCIATIONJohn L. Gompertz, M.D. - President

Born: REDACTED
 AB University of California at Berkeley 1925
 MD Jefferson Medical College 1936

Intern, then resident Highland General Hospital, Oakdale, California 1936-38; private practice internal medicine Oakdale 1938 to present; consultant: VA Hospital, Livermore, Calif. 1946-50; Parks Air Force Hospital, 1951-55; Univ. California at Berkeley 1940 to present. President: Alameda County TB Association, 1950; TB and Health Assn. of California 1957; Cal. Thoracic Society 1967; NTRDA 1968-69. Served to major MC 1942-46. Diplomate: American Board of Internal Medicine. Fellow: AMA., ACP, American College Chest Physicians, California Academy of Medicine, Society Cal. Pioneers, Cal. Hist. Society, Medical Friends of Wine (bd. govs. 1968). Mason. Clubs: Claremont Country (Oakland), Commonwealth (San Francisco). Home: Oreda, Calif. Office: Oakdale, Calif.

Robert J. Anderson, M.D. - Medical Director (ATC)

Born: REDACTED
 AB Carleton College 1935
 MB & MD University of Minn. 1939
 MS in Public Health, Columbia 1943

Began career as health officer with Texas County, Missouri 1941; Newton County, Missouri 1942; tuberculosis control office, San Antonio Health Department 1944-45; chief of bureau of TB, California State Department of Public Health 1946; asst. chief div. of tuberculosis USPHS 1947-48, chief 1948-51, chief chronic disease and TB 1951-54, asst. chief special health service, Washington 1954-56. Chief, Communicable Disease Center, Atlanta 1956-60; deputy Chief Bureau State Services, 1960-62; chief 1962-66; ret: commd officer regular Corps. USPHS, promoted asst. surgeon general 1954; diplomate: American Board of Preventive Medicine & Public Health. Member: Amer. Coll. Chest Physicians, AMA, Amer. Public Health Asso. Assn. Military Surgeons, Amer. College Preventive Medicine. Home: Arlington, Va. Office: American Thoracic Society.

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1002421571

NO. 013CC GOLDSMITH BROS., N. Y. 10038 - (212) 527-7500

AMERICAN HEART ASSOCIATION

44 East 23rd Street
New York, N.Y.

History & Structure

The American Heart Association was incorporated in New York State in 1924 as a professional society of physicians and scientists. The Association was reorganized in 1948 to become a national voluntary health organization.

The A.H.A. now has 55 direct affiliates with 139 chapters and 1000 local subdivisions throughout the U.S. and Puerto Rico.

The board of directors totals 120 members representing a total membership of about 72,000 doctors and laymen.

The National Headquarters has a full-time staff of 129 clerical and 102 professionals.

Purpose

The A.H.A. recently described itself as "devoted to the reduction of premature death and disability caused by the many forms of heart and blood vessel diseases - primarily heart attacks, strokes, high blood pressure, rheumatic fever and rheumatic heart disease, and inborn heart defects."

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Fund Raising

Under the present policy of the Association adopted in 1955, affiliates and chapters of the A.H.A. are not permitted to join in federated fund-raising campaigns. Those chapters participating in such campaigns prior to 1955 have been encouraged to withdraw.

The A.H.A. conducts a national campaign in February - the "Heart Fund." A Congressional Resolution adopted in 1964 has proclaimed February each year as "Heart Month." Contributions are tax deductible. The main sources of Incomes & Revenues for the A.H.A. are as follows (combined for National and Local Chapters). (The comparisons from year to year are made difficult because of accounting changes).

<u>Support/Revenues (000's)</u>	<u>(Fiscal Year Ending June 30th)</u>		
	<u>1967</u>	<u>1968</u>	<u>1969</u>
Received Directly:			
Contributions	N/A	\$26,772	\$28,010
Special Events	N/A	911	922
Bequests & Endowments	\$6,024	6,649	8,481
Total Received Directly	\$ N/A	\$34,332	\$37,413
Received Indirectly:			
Federal Service, etc.	N/A	1,191	1,318
Federated Campaigns	N/A	2,259	2,263
Total Received Indirectly	N/A	\$ 3,450	\$ 3,581
Total Public Support:	\$35,928	\$37,782	\$40,994
Investment Income	1,771	1,968	2,448
Other	595	404	1,355
Total Support	\$38,294	\$40,144	\$44,797

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<u>Support/Revenues as a %</u>	<u>(Fiscal Year Ending June 30th)</u>		
	<u>1967</u>	<u>1968</u>	<u>1969</u>
Contributions	N/A	64%	62%
Bequests & Endowments	16%	17%	19%
Indirect Support	N/A	9%	8%
Investment Income	5%	5%	6%
Other	N/A	5%	5%
Total Support	<u>100%</u>	<u>100%</u>	<u>100%</u>

From the information available, the A.H.A. and the A.C.S. have a very similar percentage breakdown of their total support and revenues.

	<u>For Fiscal 1969</u>	
	<u>A.C.S.</u>	<u>A.H.A.</u>
Contributions	63%	62%
Bequests	21%	19%
Investment Income	6%	6%
All Others	<u>10%</u>	<u>13%</u>
Total	<u>100%</u>	<u>100%</u>

For the A.H.A. approximately 75% of the total support from the public is retained at local levels with the remaining 25% going to the National Association Office. The national office has a stated policy of "earmarking not less than 50% of all funds received for research purposes."

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Expenditures

The A.H.A. on a combined basis had the following expenditures during the past three years:

(000's)	<u>1967</u>	<u>1968</u>	<u>1969</u>
Research	\$11,954	\$13,244	\$13,647
Public Health Education	2,917	4,131	4,846
Professional Education	3,509	4,319	5,165
Community Services	3,735	4,522	4,857
Total Program Services	<u>\$22,115</u>	<u>\$26,216</u>	<u>\$28,514</u>
Fund Raising	5,257	5,994	6,223
Mgt. & General	6,980*	5,183	5,463
Total Supporting Programs	<u>\$12,237</u>	<u>\$11,177</u>	<u>\$11,686</u>
 Total Expenditures *	 <u>\$34,352</u>	 <u>\$37,393</u>	 <u>\$40,201</u>
 Excess Revenues Over Expenditures	 \$ 3,942	 \$ 2,751	 \$ 4,596

* The above expenditures do not include expenditures for "major property and equipment acquisitions" of \$1,971,136 in 1968 or \$517,416 in 1969. In light of the A.H.A.'s sizeable accumulation of assets over the years, property acquisitions should not be considered as part of the normal expenditure program of the Association. Therefore, from an analysis point of view, these have been eliminated.

<u>Expenditures as %</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Research	34.8%	35.6%	34.0%
Public Health Education	8.5	11.0	12.0
Professional Education	10.2	11.5	12.8
Community Services	10.9	12.0	12.1
Total Program Services	<u>74.4%</u>	<u>70.1%</u>	<u>70.9%</u>
Fund Raising	15.3	16.0	15.5
Mgt. & General	10.3	13.9	13.6
Total Supporting Programs	<u>25.6%</u>	<u>29.9%</u>	<u>29.1%</u>
 Total Expenditures	 <u>100.0%</u>	 <u>100.0%</u>	 <u>100.0%</u>
 Excess Revenues over Expenditures	 11.5%	 7.5%	 11.4%

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A comparison with the expenditures breakdown of the A.C.S. indicates that A.H.A. had significantly higher "supporting services" expenditures in each year and lower "public education" expenditures.

Expenditures - Fiscal 1969

	<u>A.H.A</u>	<u>A.C.S.</u>
Research	34.0%	35.0%
Public Education	12.0	17.0
Professional Education	12.8	10.0
Patient Services	--	12.0
Community Services	12.1	6.0
Program Services	<u>70.9%</u>	<u>80.0%</u>
Fund Raising	15.5%	11.0%
Management & General	13.6	9.0
Support Services	<u>29.1%</u>	<u>20.0%</u>
Total Expenditures	100.0%	100.0%

Examining the 1969 expenditures of the A.H.A. in more detail on a functional basis the following is seen.

A. H.A. Expenditures 1969

Awards & Grants (Research Grants \$12,833,126)	\$14,618,516
Salaries, Benefits, Payroll Taxes	\$15,173,148
General Office Expenses (incl. rent \$1,353,490 but excl. salaries)	\$ 4,039,390
Printing & Visual Aids	\$ 2,534,179
Travel & Meetings	\$ 2,885,815
All Others	<u>\$ 949,554</u>
	\$40,200,602

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The above analysis indicates that for 1969 total salaries were approximately 15.5% larger than total Research Grants and awards. The national headquarters office had a total payroll cost of \$2,335,503 for 1969 with an average cost per employee of \$10,050 per year - on a par with the A.C.S. payroll costs/employee.

Since 75% of all contributions are retained at the local levels, an examination of the spending by the New York Heart Association - one of the largest chapters - indicates the following breakdown.

N.Y. Heart Association-Fiscal 1969

Total Support/Revenues	\$2,397,809	
Portion Allocated to Nat'l. Hdq.	518,055	
Retained at N.Y. Heart Asso.	\$1,879,754	
<u>Expenditures</u>		<u>% of Total Expenditures</u>
Research	\$ 747,798	48%
Public Education	95,813	6
Professional Education	124,072	8
Community Service	65,619	4
Total Program Services	\$1,033,302	66%
Fund Raising	284,904	* 18
Mgt. & General	252,875	16
Total Supporting Services	537,779	34
Total Expenditures	\$1,571,081	100%
Excess Revenues over Expenditures	\$ 308,673	20%

*Based on total public support received of \$2,207,221 fund raising costs represented 13% of this total.

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The large percentage of spending allocated to Research is much higher than the National A.H.A.'s 34% spending. However the total research budget could have been 40% greater if all the excess revenues were spent on research rather than retained.

Research

In 1968, over 1,000,000 people in the U.S.A. died of diseases related to the cardiovascular and circulatory system accounting for more than half (53%) of all deaths in that year. According to an estimate by the President's Commission on Heart Disease, about "14.6 million people suffer from definite heart disease." It is by far the leading cause of death and most prevalent disease in the country.

The U.S. Government, through the National Heart and Lung Institute is the leading source of funds for heart disease research. During the past 19 years (1951-1970) the National Heart Institute supplied research funds totalling \$1,686,000,000. The A.H.A. during the past 22 years (1948-1970) spent \$164,000,000 on research or 8.9% of the combined total.

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The A.H.A. research programs include grants to:

14	Career Investigators
103	Established investigators (5 year grants)
7	Advanced Research Fellows
5	Foreign Visting Scientists
5	British-American Exchange Fellows
12	Special Fellows
253	Grants-in-Aid

Grants have included research into heart transplants, heartbeat regulators, artificial heart valves, study of drugs, etc.

Staff

The board of directors composed of 120 members met twice in fiscal 1969 for two-day meetings with 90 and 96 members attending respectively. The Executive Committee consisting of 30 members also met twice with 24 members attending.

The national headquarters has a full-time professional staff of 102 people. The National Headquarters has a full-time professional staff of 102 people. Listed below are the more important members.

Lowell F. Johnson - Chairman of the Board
W. Proctor Harvey, M.D. - President
James M. Hundley, M.D. - Executive Director
Campbell Moses, M.D. - Medical Director
H. Willis Nichols - Treasurer

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AMERICAN HEART ASSOCIATIONLowell F. Johnson - Chairman of the Board**REDACTED**

Born:

B.S. N.J. State University 1934

Ed. M. Rutgers University 1938

N.Y.U. postgrad.

Member of the faculty Rutgers U. 1941-45; with Am. Home Products Corp., N.Y.C. 1945; mem. operations com. 1957-present, v.p. industrial relations 1959-61, v.p. 1961 to present: v.p. dir. Citizen's Realty Co; dir. Bankers Nat. Ins. Co., Plainfield Turst Nat. Bank, North Plainfield Savings & Loan, LOR, Inc. spec. lectr. Rutgers U., Columbia, N.Y.U., George Washington U., U. Md. Mgmt. team U.S. State Department Mission to Guatemala. Past mem. N.J. Commn of Indsl. Health Member of board of govs. Muhlenberg Hosp; chmn. bd., chmn exec. comm., member international com. of American Heart Assn. Member: Commerce and Industry Association, U. S. Chamber of Commerce, Soc. Advancement Mgmt., American Arbitration Assn. (national Labor panel), American Management Assn., National Industrial Conference Board, N.Y. Industrial Relations Assn, (past pres). Lives: North Plainfield, N.J. Office: NYC.

James M. Hundlev, M.D., Executive Director

Born:

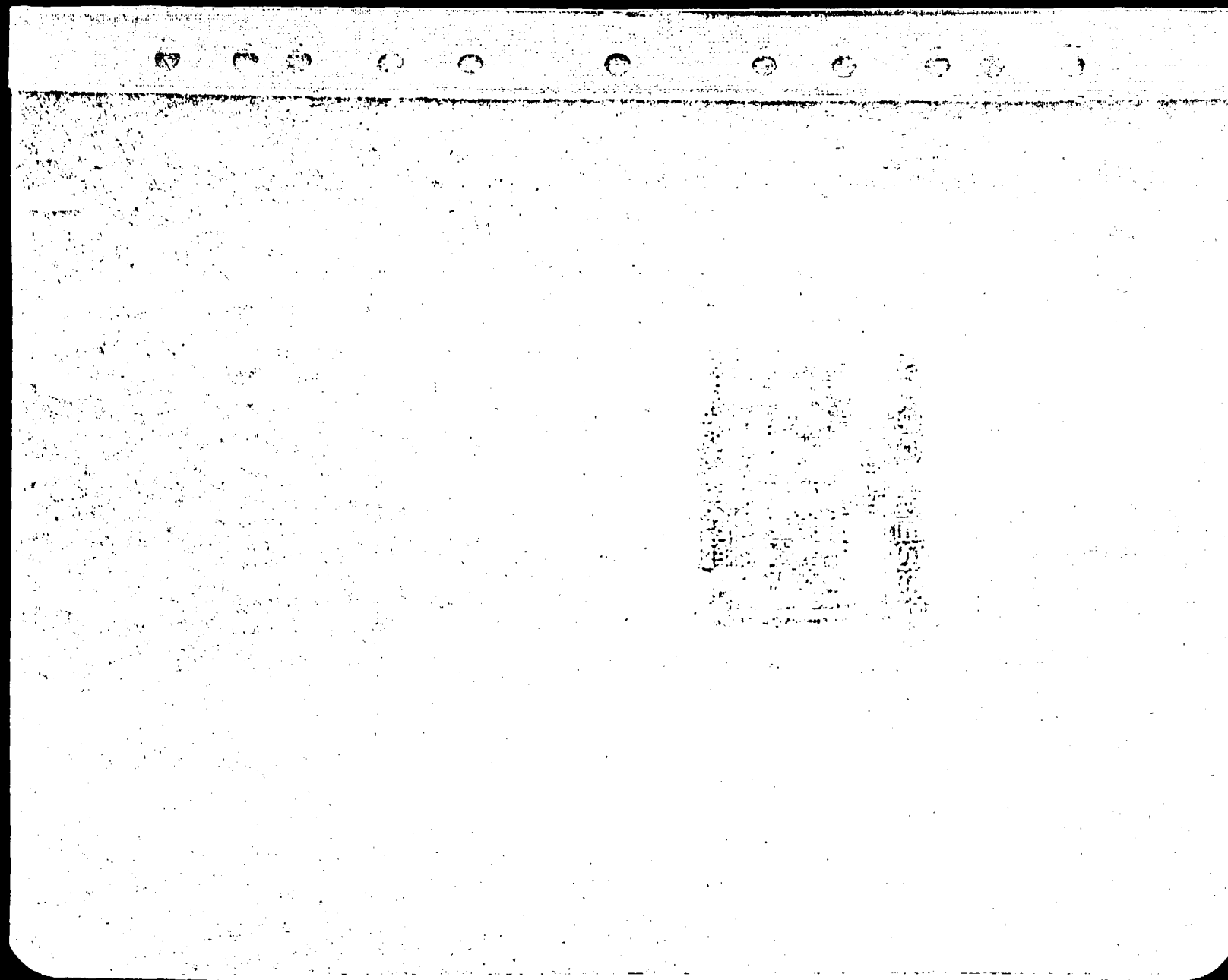
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B.S. Indiana University 1937

M.D. Indiana University 1940 (McLenden research fellow)

Intern Marine Hosp. NYC 1940-41; officer United States Public Health Service 1941-66; district health officer Indiana Bd. of Health 1941-42; bubonic plague control, San Francisco, Tacoma and Western states 1942-43; nutrition research Nat. Inst. Health 1944, medical officer U.S. Coast Guard 1944-45; with National Institute of Health, 1945-56, member of numerous advisory committees of the National Research Council, nutrition advisor to UNICEF, 1956-58; special assistant international affairs of National Inst. Health 1958-59; assistant Surgeon General, United States Public Health Service 1960-66; executive director Institute of Medical Sciences, Presbyterian Medical Center, San Francisco 1966-68; executive director A.H.A. since 1968. Fellow, American Public Health Association; member A.M.A., Am. Dietetic Assn., Am. Inst. Nutrition, Contributes article to professional journals. Lives: Stamford, Conn. Office NY Headquarters of A.H.A.

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